



**DEFENSE CONTRACT AUDIT AGENCY**  
**DEPARTMENT OF DEFENSE**  
8725 JOHN J. KINGMAN ROAD, SUITE 2135  
FORT BELVOIR, VA 22060-6219

IN REPLY REFER TO

1 May 2000  
00-PPD-040(R)

PPD 730.5.26

**MEMORANDUM FOR REGIONAL DIRECTORS, DCAA**  
**DIRECTOR, FIELD DETACHMENT, DCAA**

**SUBJECT:** Audit Guidance on Direct Submission of Interim Vouchers to Defense Finance and Accounting Service (DFAS), National Aeronautics and Space Administration (NASA), Maryland Procurement Office (MPO) and/or U.S. Army Corps of Engineers (USACE) Disbursing Office(s)

This memorandum revises Field Audit Office (FAO) procedures for contractors that are eligible to direct bill, but choose not to participate in the direct billing program. FAOs should contact these contractors in writing and reemphasize to them the benefits of participating in the direct billing program. FAOs should specifically emphasize that direct billing results in faster payment, improved contractor cash flow, and eligibility to submit interim vouchers via Electronic Data Interchange and/or web invoicing. The letter to the contractor should also request that the contractor provide a written response by a definite due date as to whether or not it will participate in the direct billing program. See Enclosure 1 for a copy of the proforma letter to contractors that choose not to participate in the direct billing program.

For those contractors that provide a positive response to the above letter (i.e., agree to participate in the direct billing program), the FAO should send the contractor a letter authorizing the contractor to direct bill. The FAO should inform the contractor that when submitting vouchers directly to the disbursing office, one copy of the DCAA authorization memorandum signed by the FAO manager should be forwarded with the vouchers. In addition, the signature block on the vouchers should state: "Direct Submission Authorized." First and final vouchers on each contract will continue to be submitted to DCAA to notify us of new contracts and assist in the closing of contracts. See Enclosure 2 for a proforma notification letter to an eligible contractor including an attached DCAA authorization memorandum signed by the FAO manager (Enclosure 3).

SUBJECT: Audit Guidance on Direct Submission of Interim Vouchers to Defense Finance and Accounting Service (DFAS), National Aeronautics and Space Administration (NASA), Maryland Procurement Office (MPO) and/or U.S. Army Corps of Engineers Disbursing Office(s)

If the contractor does not want to participate in the direct billing program or does not provide a written response by the requested due date, the FAO should discontinue audit procedures to provisionally approve interim vouchers submitted by the contractor. The FAO should begin to forward all vouchers to the appropriate DFAS, NASA, MPO and/or USACE disbursing office(s) without DCAA signature. The FAO administrative voucher clerk should forward with each voucher a DCAA authorization memorandum for nonparticipating contractors instructing the appropriate disbursing office(s) to pay the forwarded vouchers without DCAA signature. Enclosure 4 is a copy of the DCAA authorization memorandum for contractors that choose not to participate in direct billing program. FAOs will still be required to sign and approve the first voucher on each contract. Similarly, final vouchers will continued to be processed in accordance with CAM 6-1009, Processing of Completion Vouchers.

FAO personnel should direct questions regarding this memorandum to personnel in the regional office. If regional personnel are unable to answer or have questions of their own, they should contact Mr. Barry Turner, Program Manager, Policy Programs Division, at (703) 767-2270 or email at dcaa-ppd@dcaa.mil.

Robert DiMucci

(for)

Lawrence P. Uhlfelder  
Assistant Director  
Policy and Plans

Enclosures - 4

1. Proforma Letter to Contractor That Chooses Not to Participate in the Direct Billing Program
2. Proforma Notification Letter to Eligible Contractor
3. DCAA Authorization Memorandum for Participating Contractors
4. DCAA Authorization Memorandum for a Contractor That Chooses Not to Participate in the Direct Billing Program

DISTRIBUTION: C

**Proforma Letter to Contractors That Choose Not to Participate  
in the Direct Billing Program**

Mr. Mike Jones, President  
ABC Company  
123 Any Street  
Any City, USA 12345

Dear Mr. Jones:

As we previously notified you in a letter dated \_\_\_\_\_, DCAA has initiated a program that authorizes contractors that (1) maintain adequate internal controls for their billing systems and (2) submit timely incurred cost proposals in accordance with FAR 52.216-7, Allowable Cost and Payment contract clause, to submit interim public vouchers directly to Defense Finance and Accounting Service (DFAS), National Aeronautics and Space Administration (NASA), Maryland Procurement Office (MPO) and U.S. Army Corps of Engineers (USACE) disbursing offices without DCAA advance approval. Contractors will continue to submit the first and final vouchers on each contract to DCAA to notify the office of new contracts and to assist in the closing of contracts. Contractors' participation in the direct submission program is contingent on continued compliance with the above criteria. DCAA will continue to review contractors' procedures for preparing public vouchers as part of our ongoing surveillance of contractors' billing systems.

For contractors that meet the criteria for direct submission of vouchers, the continued review and approval of each voucher is a non value-added use of limited DCAA audit resources. The direct submission program has proved to be a significant contribution by DCAA to the Department of Defense's (DoD) efforts to streamline and improve the efficiency of government business processes. In addition, contractors that participate in the direct billing program may submit vouchers via Electronic Data Interchange (EDI) and/or web invoicing. EDI and web invoicing further improve the efficiency of the government payment process by reducing payment error rates, decreasing voucher processing costs for both the government and contractors, and more importantly for contractors, significantly improving contractors' cash flow. Accordingly, we are making a concerted effort to eliminate the requirement to approve each interim voucher.

Since your company maintains an adequate billing system and meets the criteria for direct submission of interim vouchers, we are again requesting that you participate in the direct billing program. Please provide us a written response by [DATE] indicating whether or not you choose to participate in the direct billing program. If you do not choose to participate in the direct billing program or we do not receive a written response to this letter by [DATE], we will discontinue reviewing and signing your vouchers. Continued submission of your vouchers to DCAA will only serve to delay your payment. Beginning on [DATE], we will instead forward your unsigned vouchers to the appropriate disbursing office(s). We will notify the disbursing office that DCAA signature on each of your vouchers is not required for payment. We will continue this procedure as long as your billing system remains adequate and you do not participate in the direct billing program. However, we will continue to sign the first voucher on each contract and continue our current procedures on final vouchers to help us keep track of new contacts and to assist us in closing out contracts.

**Proforma Letter to Contractors That Choose Not to Participate  
in the Direct Billing Program**

Mr. Mike Jones  
ABC Company

If you any questions regarding this letter, please contact Ms. Jane Doe, Supervisory Auditor, at (701) 555-1111.

Sincerely,

Signature  
FAO Manager, DCAA  
Any FAO

Copy Furnished  
Cognizant ACO  
Cognizant DFAS, NASA and USACE Disbursing Office(s) and MPO Point of Contact

## Proforma Notification Letter to Eligible Contractor

Mr. Mike Jones, President  
ABC Company  
123 Any Street  
Any City, USA 12345

Dear Mr. Jones:

In response to your letter dated \_\_\_\_\_, your company is authorized to submit interim vouchers directly to Defense Finance and Accounting Service (DFAS), National Aeronautics and Space Administration (NASA), Maryland Procurement Office (MPO) and/or U.S. Army Corps of Engineers (USACE) paying offices based on the enclosed DCAA authorization memorandum. The authorization is contingent upon the continued (1) maintenance of adequate billing system internal controls for the preparation of public vouchers and (2) submission of incurred cost proposals in accordance with FAR 52.216-7, Allowable Cost and Payment contract clause. If the authorization is subsequently rescinded by DCAA, you will be notified immediately and the requirement to submit interim vouchers to DCAA will be reactivated.

A copy of this letter is being sent to your cognizant ACO and MPO point of contact. In addition, a copy of this letter is being sent to the DFAS, NASA and USACE paying office(s) notifying them that you are authorized to submit vouchers directly. The MPO point of contact will notify the MPO paying office that you are authorized to submit vouchers directly to MPO. Our records show your Commercial and Government entity (CAGE) code is \_\_\_\_\_. If this code is not correct, please notify us immediately. DFAS requires a correct CAGE code to process payments of vouchers.

When submitting interim vouchers directly to the government paying offices, one copy of the DCAA authorization memorandum should be forwarded with the voucher; the signature block on the voucher should state: "Direct Submission Authorized." If you are submitting MPO vouchers, the original MPO voucher should be sent to the paying office with a copy to the Contracting Officer Representative for each MPO contract. *First and final vouchers on each contract will continue to be submitted to our office to notify us of new contracts and assist in the closing of contracts.*

If you have any questions regarding this letter, please contact Ms. Jane Doe, Supervisory Auditor, at (701) 555-1111.

Sincerely,

Signature  
FAO Manager, DCAA  
Any FAO

Enclosure  
DCAA Authorization Memorandum

Copy Furnished (with Enclosure)  
Cognizant ACO  
MPO Point of Contact  
Cognizant DFAS/NASA/USACE Paying Office (s)

## **Proforma DCAA Authorization Memorandum For Participating Contractors**

MEMORANDUM FOR GOVERNMENT PAYING OFFICE(S)

SUBJECT: Authorization for Direct Submission of Public Vouchers

ABC Company (1) maintains an adequate billing system and (2) submits its incurred proposals in accordance with FAR 52.216-7, Allowable Cost and Payment contract clause. Therefore, this contractor is permitted to directly submit public vouchers on government contracts without DCAA advance approval. By attaching one copy of this memorandum, and indicating in the signature block of the voucher that "Direct Submission [is] Authorized," the contractor is representing that DCAA has authorized direct submission of public vouchers to the DFAS, NASA, MPO and/or USACE paying office(s) by ABC Company. DCAA will continue to review ABC's procedures for preparing public vouchers as part of our ongoing surveillance of the contractor's billing system. The contractor's CAGE (Commercial and Government Entity) code is \_\_\_\_\_.

Please direct any questions regarding this memorandum to Ms. Jane Doe, Supervisory Auditor, at (701) 555-1111.

Signature  
FAO Manager, DCAA  
Any FAO

**Proforma DCAA Authorization Memorandum For  
Contractors That Choose Not to Participate in the Direct Billing Program**

MEMORANDUM FOR GOVERNMENT PAYING OFFICE (S)

SUBJECT: Authorization for Direct Submission of Public Vouchers

ABC Company (1) maintains an adequate billing system and (2) submits its incurred cost proposals in accordance with FAR 52.216-7, Allowable Cost and Payment contract clause. By attaching a copy of this memorandum, DCAA is authorizing payment of this interim public voucher by DFAS, NASA, MPO and/or USACE without DCAA advance approval. DCAA will continue to review ABC Company's procedures for preparing public vouchers as part of our ongoing surveillance of the contractor's billing system. The contractor's CAGE (Commercial and Government Entity) code is \_\_\_\_\_.

Please direct any questions regarding this memorandum to Ms. Jane Doe, Supervisory Auditor, at (701) 555-1111.

Signature  
FAO Manager, DCAA  
Any FAO